

Virginia Department of Rail & Public
Transportation

ILLUSTRATIVE FUNDING PACKAGES

March 8, 2017

PRINCIPLES FOR SELECTING REVENUE SOURCES

- 1. Pursue a package of multiple revenue sources**
 - Spread lower rate increases across multiple sources so no single source is overburdened

- 2. Consider both statewide and regional sources**
 - Use regional funds to – in part – address Northern Virginia transit funding needs

- 3. Consider transit capital funding within context of other transportation revenue needs**
 - Dedicating new funding to transit capital makes a lower rate increase possible
 - Linking to other transportation funding needs may facilitate approval

- 4. Focus on revenue sources for which a rate increase is most feasible**
 - Consider duration since most recent increase
 - Consider sources with comparatively low rates

GENERAL APPROACH TO DEFINE FUNDING PACKAGES

- **Size potential combinations of funding sources to meet projected transit capital investment needs**
- **Adjust funding packages to reflect Capital Program Prioritization Methods**

ILLUSTRATIVE FUNDING PACKAGES

→ **Package 1 – Increase Existing Statewide Revenues**

- Increase current statewide rates for selected revenues sources, dedicated entirely to transit capital

→ **Package 2 – Increase Existing State & Regional Revenues**

- Increase current rates for selected state *and* regional sources, dedicated entirely to transit capital

→ **Package 3 – Increase Revenues for Multiple Modes**

- Increase current rates for both selected state and regional sources, assuming revenues are split between transit capital and other state transportation funding needs

→ **Package 4 – Single Source**

- Increase current rates for a single source, dedicated entirely to transit capital

PRESENTATION OF FUNDING PACKAGES

→ For each Funding Package we present:

- Revenue sources used
- Estimation of each revenue source
- Summary graph

PACKAGE 1 – INCREASE EXISTING STATEWIDE REVENUES

- **Increase current statewide rates for selected revenues sources, dedicated entirely to transit capital**

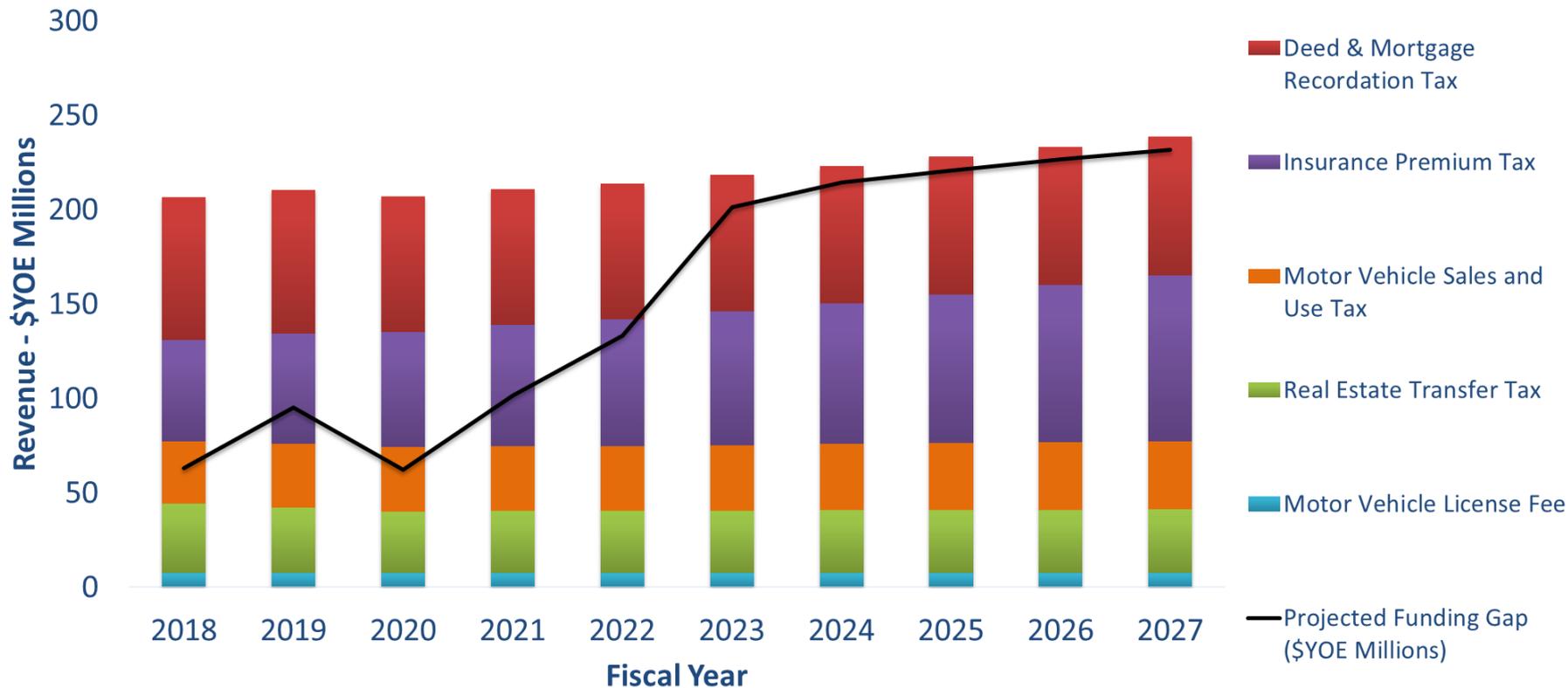
- **Revenue sources:**
 - Deed & Mortgage Recordation Tax
 - Insurance Premium Tax
 - Motor Vehicle Sales & Use Tax
 - Real Estate Transfer Tax
 - Motor Vehicle License Fee

PACKAGE 1 – INCREASE EXISTING STATEWIDE REVENUES

Source	Existing State Rate	Existing Transit Capital Share	Increase to State Rate	Average Annual Revenue Estimated*
Deed & Mortgage Recordation Tax	\$0.25/\$100	\$0.01/\$100	\$0.05/\$100	\$73.2m
Insurance Premium Tax	2.25%	20-40% of 1/3 of revenues	0.25%	\$70.0m
Motor Vehicle Sales & Use Tax	4.15%	0.04%	0.15%	\$35.8m
Real Estate Transfer Tax	\$0.05/\$100	-	\$0.05/\$100	\$33.8m
Motor Vehicle License Fee	\$40.75	\$0.11	\$1	\$7.3m
Average Annual Total Revenue Estimated	\$220.1m			

*FY18-FY27. Estimates: WSP | Parsons Brinckerhoff

PACKAGE 1 – INCREASE EXISTING STATEWIDE REVENUES



Average Annual Revenue: \$220.1m

PACKAGE 2 – INCREASE EXISTING STATE & REGIONAL REVENUES

- **Increase current rates for selected state *and* regional sources, dedicated entirely to transit capital**

- **State Sources:**
 - Motor Vehicle Sales and Use Tax
 - Real Estate Transfer Tax
 - Motor Vehicle License Fee

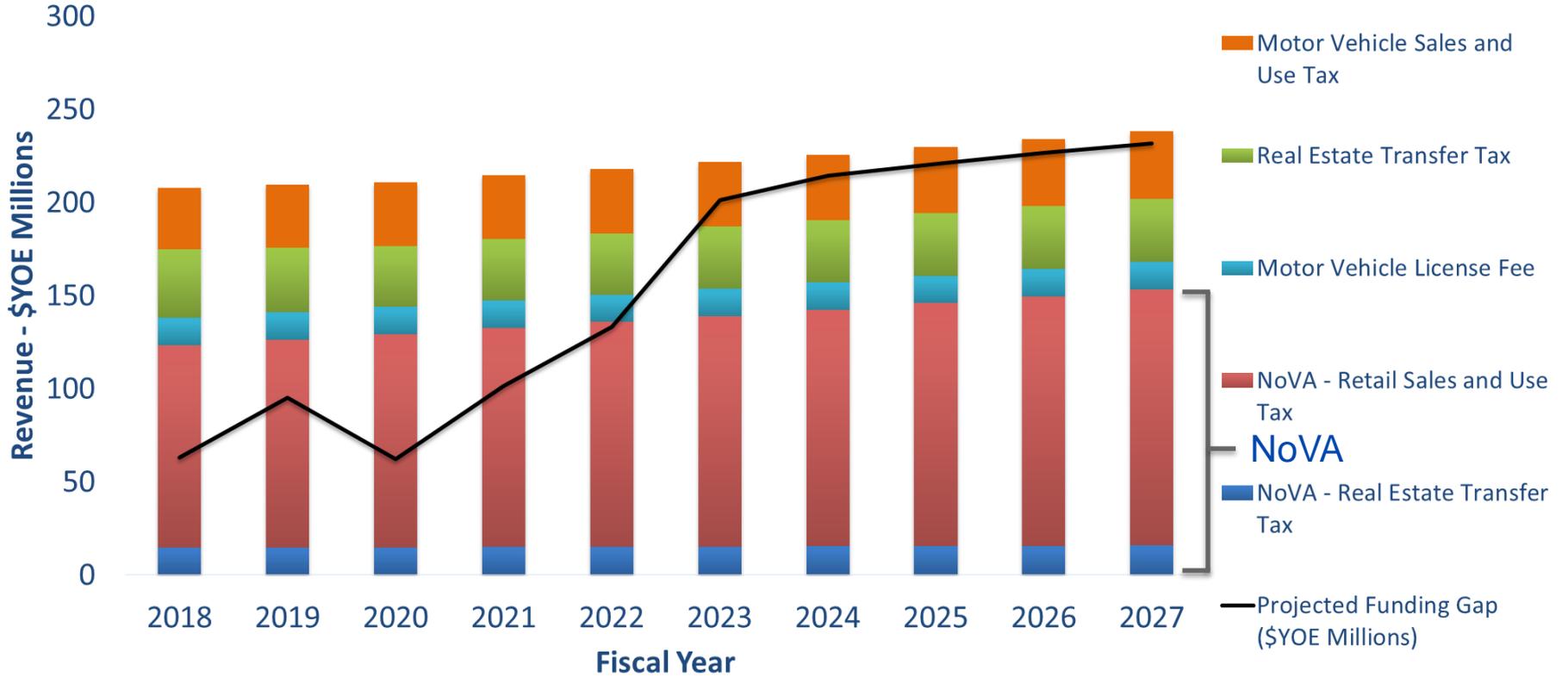
- **Northern Virginia Regional Sources:**
 - Retail Sales and Use Tax
 - Real Estate Transfer Tax

PACKAGE 2 – INCREASE EXISTING STATE & REGIONAL REVENUES

	Source	Existing Rate	Existing Transit Capital Share	Increase to Rate	Average Annual Revenue Estimated*
State	Motor Vehicle Sales & Use Tax	4.15%	0.04%	0.15%	\$35.8m
	Real Estate Transfer Tax	\$0.05/\$100	-	\$0.05/\$100	\$33.8m
	Motor Vehicle License Fee	\$40.75	\$0.11	\$2.00	\$14.7m
	State Subtotal				\$84.3m
NoVA	NoVA – Retail Sales and Use	0.7%	-	0.3%	\$122.6m
	NoVA – Real Estate Transfer Tax	\$0.15/\$100	-	\$0.05/\$100	\$15.2m
	NoVA Subtotal				\$137.8m
	Total				\$222.1m

*FY18-FY27 Estimates: WSP | Parsons Brinckerhoff

PACKAGE 2 – INCREASE EXISTING STATE & REGIONAL REVENUES



Average Annual Revenue: \$222.1m

PACKAGE 3 – INCREASE REVENUES FOR MULTIPLE MODES

- **Increase current rates for both selected state and regional sources, assuming revenues are split between transit capital and other state transportation funding needs**

- **State Sources (Transit receives 25%):**
 - Deed & Mortgage Recordation Tax
 - Insurance Premium Tax
 - Motor Vehicle Sales and Use Tax
 - Retail Sales Tax

- **NoVA Sources (Transit receives 50%):**
 - Real Estate Transfer Tax
 - Retail Sales and Use Tax

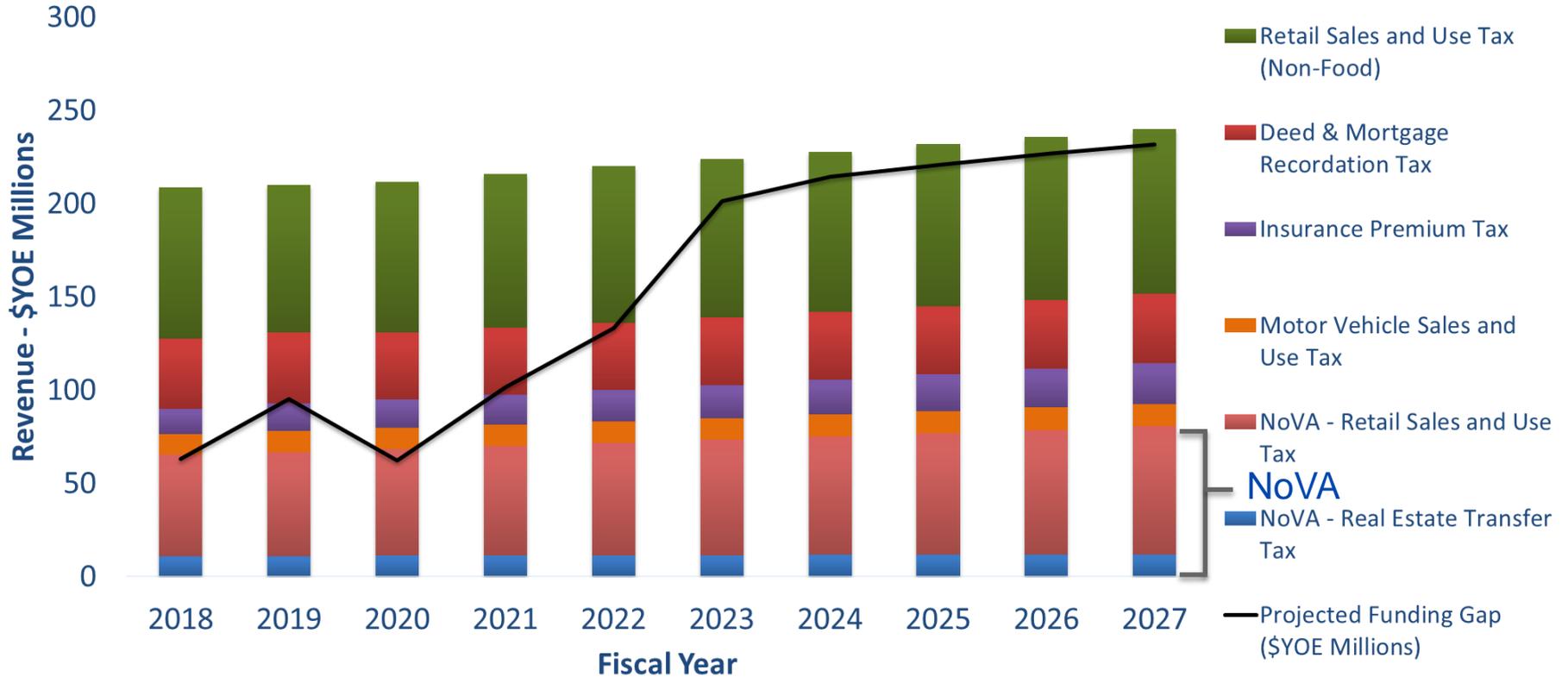
PACKAGE 3 – INCREASE REVENUES FOR MULTIPLE MODES

	Source	Existing Rate	Increase to Rate	Transit Share of Increase	Average Annual Revenue for Transit Capital*	Average Annual Revenues for Transportation**
State	Retail Sales Tax (non-food)	4.3%	0.30%	25%	\$84.3m	\$337.2m
	Deed & Mortgage Recordation Tax	\$0.25/\$100	\$0.10/\$100	25%	\$36.6m	\$146.4m
	Insurance Premium Tax	2.25%	0.25%	25%	\$17.5m	\$70.0m
	Motor Vehicle Sales and Use Tax	4.15%	0.20%	25%	\$11.9m	\$47.7m
	State Subtotal				\$150.3m	\$601.2m
NoVA	NoVA - Retail Sales and Use Tax	0.7%	0.3%	50%	\$61.3m	\$122.6m
	NoVA – Real Estate Transfer Tax	\$0.15/\$100	\$0.075/\$100	50%	\$11.4m	\$22.8m
	NoVA Subtotal				\$72.7m	\$145.4m
	Total				\$223.0m	\$746.6m

*FY18-FY27 Estimates: WSP | Parsons Brinckerhoff

**Including transit capital

PACKAGE 3 – INCREASE REVENUES FOR MULTIPLE MODES



Average Annual Revenue: \$223.0m

PACKAGE 4 – SINGLE SOURCE

- **Increase current rates for a single source, dedicated entirely to transit capital**

- **Sources:**
 - Motor Vehicle Sales Tax
 - or-
 - Retail Sales and Use Tax

PACKAGE 4 – SINGLE SOURCE

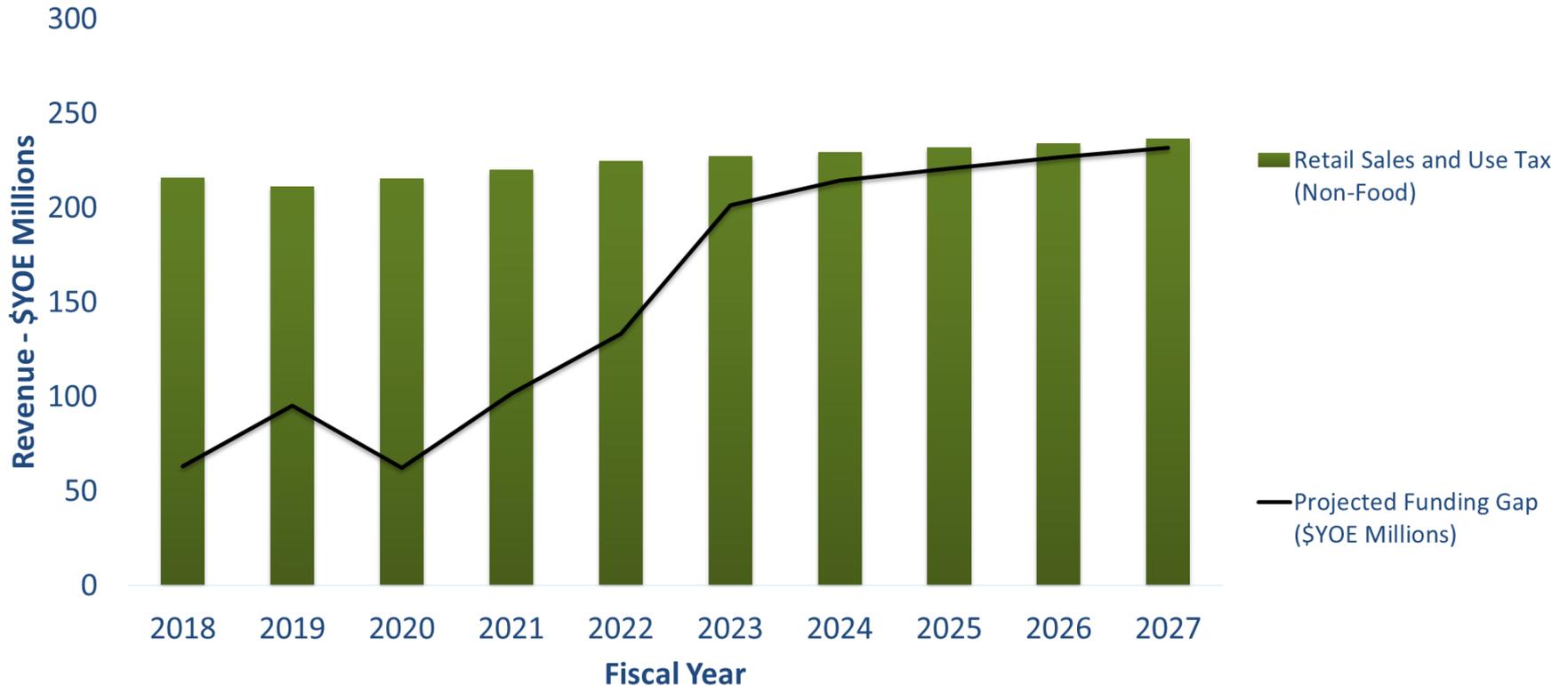
Source	Existing Rate	Existing Transit Capital Share	Increase to Rate	Average Annual Revenue Estimated*
Retail Sales and Use Tax (non-food only)	4.3%	0.04%	0.2%	\$224.7m

-OR-

Source	Existing Rate	Existing Transit Capital Share	Increase to Rate	Average Annual Revenue Estimated*
Motor Vehicle Sales and Use Tax	4.15%	0.04%	0.95%	\$226.6m

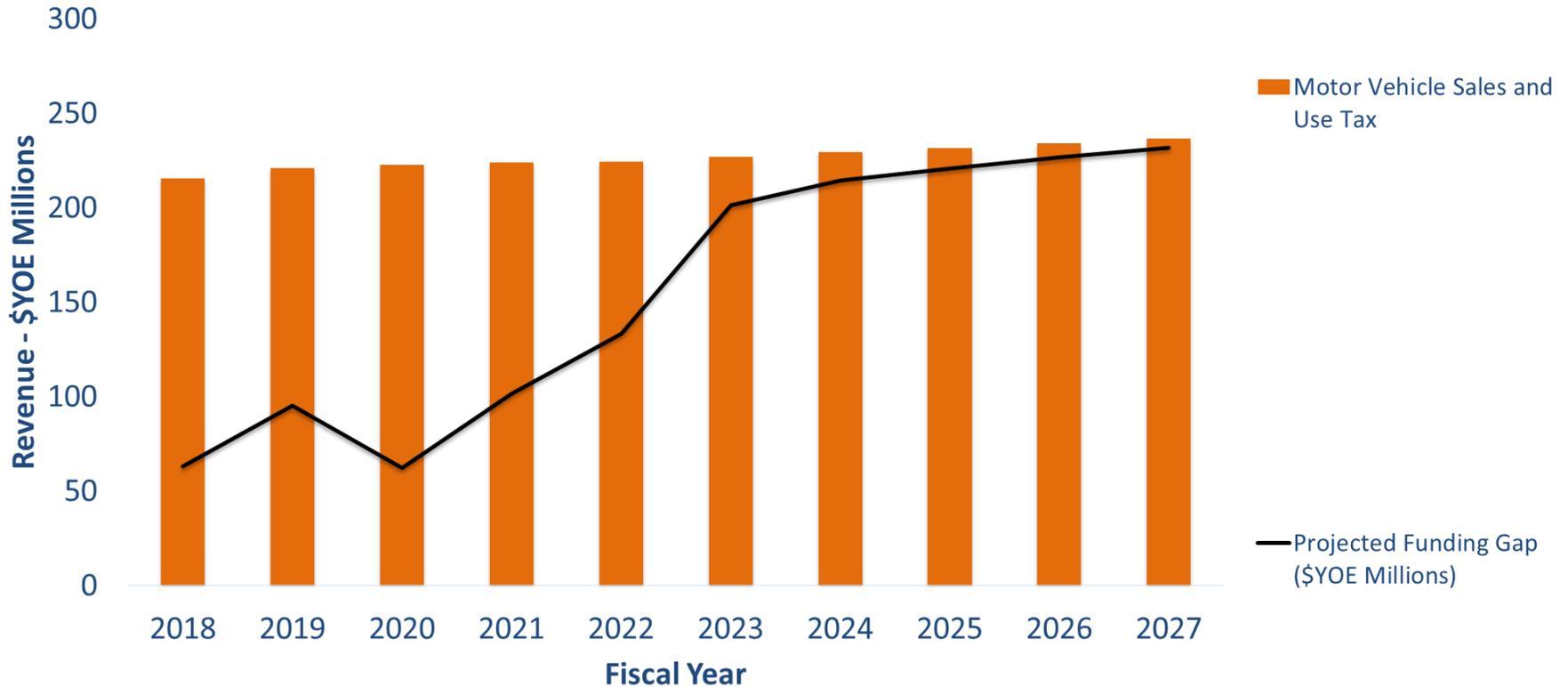
*FY18-FY27 Estimates: WSP | Parsons Brinckerhoff

PACKAGE 4 – RETAIL SALES TAX (NON-FOOD) ONLY



Average Annual Revenue: \$224.7m

PACKAGE 4 – MOTOR VEHICLE SALES AND USE TAX ONLY



Average Annual Revenue: \$226.6m

CONCLUSIONS

- **Transit Capital funding needs may be met through a number of approaches including:**
 - Increasing existing state rates
 - Increasing both state and regional rates
 - Increasing existing rates to a greater extent, and sharing revenues with other modes

- **Some revenue sources could fill the entire funding gap with a rate increase:**
 - Motor Vehicle Sales Tax
 - Retail Sales Tax

DISCUSSION QUESTIONS

Based on the principles discussed this morning, and the different funding packages presented:

1. Pursue a package of multiple revenue sources
 - Question: **Do packages reflect an appropriate mix of revenues?**
2. Consider both statewide and regional sources
 - Question: **What is an appropriate funding split between statewide and regional sources?**
3. Consider transit capital funding within context of other transportation revenue needs
 - Question: **Should the Revenue Advisory Board pursue revenues dedicated to transit capital or tie to broad-based funding for multimodal mix of transportation investments?**
4. Focus on revenue sources for which a rate increase is most feasible
 - Question: **Should the selection of sources in any package be refined?**